

# QIC

## 2015-2016 STATEMENT OF CORPORATE INTENT

MAY 2015



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# 1 FOREWORD – SCOPE AND CONTEXT

This Statement of Corporate Intent outlines the activities that will be executed in 2015-2016, the third year of the current corporate strategy and the first year of the five year QIC Corporate Plan (to 30 June 2020) pursuant to the requirements of the *Government Owned Corporations Act 1993* the (“GOC Act”).

The 2014-2015 year was another successful year for QIC. We are on track to deliver strong financial results and have continued to maintain excellent investment performance in the majority of our asset classes. Significant progress was made on our strategy by launching a new international pooled infrastructure product (the QIC Global Infrastructure Fund) (QGIF) and developing a Global Multi Asset Class product (the Liquid Alternatives Fund). With these products developed, there is now an enhanced effort required to distribute these products and, in the case of infrastructure, invest the capital raised.

The 2015-2016 year is a critical one in establishing the ground for long term sustainable growth. QIC has a history of investing for the long term, which has benefited our clients and shareholding Ministers over the last 25 years. The last two years’ returns, in particular, evidence this successful strategy delivering one-off benefits such as the execution of the Queensland Motorways Limited transaction by our Global Infrastructure team and the achievement of significant shopping centre fund performance fees by our Global Real Estate team. On top of these revenue gains, QIC took a strategic approach to cost management and is projected to finish 2014-2015 with a cost to income ratio of 74.2% (this figure does not include ). This capacity has been created in order to invest for growth in the coming two years.

A significant portion of this growth is expected to come from the Global Infrastructure and Global Real Estate asset classes. Both of these asset classes require investment in people ahead of the return on their assets. In Infrastructure, additional people are required to source deals to deploy capital already earned. This is a critical step given QIC does not earn revenue until capital is deployed. In the Real Estate asset class, people are required to build and implement a development pipeline for QIC’s shopping centre portfolio. Investment in these asset classes over the next two years will yield significant results for QIC, the shareholding Ministers, as well as the Queensland and Australian communities where a large proportion of these developments will be undertaken. There will be subsequent employment opportunities (outside of QIC), across the design, construct and operate stages of the developments. These strategies underpin the 2020 outlook; targeting a profit of and a cost to income ratio of 67%. This investment is fully supported by the Board and will result in a short term increase in the cost to income ratio with a 2015-2016 ratio budgeted to be 78.4%.

The strategic base set in 2013-2014 remains, and the Board has reconfirmed both the direction and highlighted areas of focus for the 2015-2016 year, right through to a longer term view to 2020. The strategic pillars of *Sustain*, *Grow* and *Diversify* remain the core strategy. Industry trends discussed within this document and challenging public market conditions mean that our focus on sustaining current business and customers remains as critical as ever. Growth and diversity remain key horizons to build towards given the long term nature of asset management and institutional investing. Our priorities remain to stay strong and improve in areas of investment capability, distribution and operational excellence. Alongside these priorities we will continue to build a ‘One QIC’ culture internally and externally and also ensure that we consider ‘how’ we execute corporate strategy as a relevant and modern QIC. It is an exciting time for QIC as we build from a very strong base to further increase enterprise value by investing in our growth strategy.



## 2 MAIN UNDERTAKINGS

In accordance with the GOC Act and as constituted by the *Queensland Investment Corporation Act 1991* (“QIC Act”), QIC operates as a commercial entity. Core business functions include:

- implementing and delivering competitive alternative investment solutions to institutional investors, both domestically and internationally;
- working with clients to understand evolving investment needs, while providing high quality levels of service and support; and
- operating in a manner that delivers investment outcomes within the agreed risk management framework, while generating a satisfactory financial return.

QIC currently delivers consistently strong investment outcomes to over 90 like-minded institutional investors in Australia and internationally. These clients work with us because they recognise that we have the capabilities relevant for today’s investment landscape.

QIC conducts its funds management operations through the senior executive Corporate Management Group and the Asset Management Group which is comprised of the investment team heads. The Corporate Management Group consists of the Chief Executive Officer, Executive Director, Finance, Executive Director, Risk, Legal & Tax, Executive Director, Strategy, Clients and Global Markets, Executive Director, Operations and Technology and the Executive Director, Human Resources, and is in place to determine the enterprise factors at QIC necessary to centrally support the Asset Management Group. Both of these groups and the combined Executive Committee are supported by the QIC business support units, overlaid with consistent and strong governance practices.

QIC’s focus on being a leading diversified alternative investment specialist is gaining momentum year on year. This strategy has tightened the focus on our core capabilities and we have an enviable mix of asset class teams who have deep track records and consistently deliver strong investment performance. These specialist teams are:

- **QIC Global Multi-Asset (GMA)** provides multi-asset class solutions, including dynamic asset allocation, liability hedging strategies and traditional and alternative beta management, implementation and currency management.
- **QIC Global Liquid Strategies (GLS)** provides clients with a number of active global fixed interest solutions including cash, benchmark aware, inflation, absolute return and hedge fund strategies. In addition, the team offers clients a range of overlay and implementation solutions across the spectrum of global listed markets. In 2015-2016, this team will continue to expand capability and global coverage to include active currency, equity derivative and active commodities while starting to position to build capability as a global macro manager.
- **QIC Global Infrastructure (GI)** is focused on constructing and managing diversified global portfolios of infrastructure investments for the benefit of its clients.
- **QIC Global Private Equity (GPE)** invests directly in private equity opportunities around the globe and with other private equity managers, including venture, growth and distressed asset managers.
- **QIC Global Real Estate (GRE)** is a leading Australian real estate manager that has over the last 20 years acquired and developed a significant portfolio of shopping centres and commercial buildings domestically and internationally.



The specialisation on alternatives continues to position QIC well in terms of capitalising on current and anticipated investment trends and offers a point of differentiation in the market.

The main operating companies within the QIC group and their principal activities are:

<b>Operating Company</b>	<b>Principal Activities</b>
<b>QIC Limited</b>	Primary operating vehicle through which funds management activities are conducted plus the holding company for the companies listed below.
<b>QIC Private Capital Pty Limited</b>	Provision of investment management services, specifically in relation to private equity, infrastructure and real estate investments, and trusteeship of a number of unlisted trusts.
<b>QIC Properties Pty Limited</b>	Provision of property management, development and leasing services for properties held within QIC's real estate asset class.
<b>QIC (UK) Management Limited</b>	Provision of investment advisory and management services to QIC in respect of assets held in the United Kingdom and region.
<b>QIC European Investment Services Limited</b>	Provision of UK regulated investment advisory and execution services to QIC.
<b>QIC US Management Inc</b>	Provision of US management services to the QIC Group.
<b>QIC GRE Management (US) Inc</b>	Provision of US based investment advisory and management services.
<b>QIC (US) Investment Services Inc</b>	Provision of US regulated investment advisory services conducted by QIC in the US.

### 3 CORPORATE STRATEGY

#### 3.1 Strategy Overview



#### 3.2 Strategic Priorities

Having first been identified during the development of the Corporate Strategy in 2013-2014, the Board has again endorsed that the above priorities should remain the focus for the duration of this strategy. They represent the key levers of the business and are critically linked to the achievement of the corporate Key Performance Indicators (KPI) and the organisation’s vision and mission. These five priority areas are:

**Investment Capability** - QIC remains committed to specialised alternative asset classes and believes that the five key asset classes are competitively positioned relative to macro trends. The investment capability within each of the asset classes remains high class and QIC continues to receive positive feedback through surveys such as the Peter Lee client and asset consultant survey. New products and new capabilities are either being launched, distributed or invested in the 2015-2016 year to ensure QIC will remain innovative and focused on meeting client expectations.

**Operational Excellence** – QIC continues to receive high confidence ratings for operational services during client and asset consultant due diligence processes. This is an area of increasing client focus and as such, this priority will continue to develop QIC as a scalable organisation with improved operating efficiencies, reduced organisational complexity and also a reduced number of technical platforms.

QIC is investing in process improvement capability as an ongoing commitment to process improvement.





**Distribution** – QIC’s distribution model continues to evolve and QIC has invested in technology to support this model (such as enhancing the Customer Relationship Management system). In line with international growth plans, the distribution model has a multi-faceted approach using placement agents in some countries with narrow and specific distribution targets and building out internal capability aligned to critical strategic products. For example, QIC has recently opened a small New York office to support the infrastructure product. There are no short-term or budgeted plans to open any further international offices. Depending on the success of building new business in Asia, there may be requirements for an Asian office within the timeframes of the Corporate Plan. Staffing for these offices are embedded in the asset class business plans and the relevant budget is attached to new revenue in these asset classes. There will be very limited staffing from a distribution perspective (one client servicing employee in New York). The limited expansion of the London and New York offices will be through investment professionals, with a few additional investment professionals planned in each of these offices specialising in infrastructure and fixed interest capability. The next 12 months will see an increased focus on building out international distribution capability and executing a supporting international marketing strategy.

**One QIC (i.e. the operating model, culture and behaviour)** – The ‘One QIC’ concept has built internally and is commonly recognised and accepted by employees. Engagement surveys and staff interactions have all provided positive feedback in this regard

Refinement of the operating model and continued focus on culture is expected through 2015-2016. The focus areas of *leadership, communication and empowerment* have been identified as pillars of the culture program. There are a number of initiatives in design including an enhanced leadership development program and formation of a new strategic advisory leadership group. In addition, QIC is amplifying its approach to diversity and inclusion with a targeted action plan to build a more diverse and inclusive culture. QIC will complete the next staff engagement survey in late 2015/ early 2016.

**Modern and relevant QIC (i.e. exploring non-traditional avenues to facilitate growth)** – QIC does business in a highly commercial, competitive and changing landscape. It is critical to ensure we are constantly exploring non-traditional investment mechanisms for delivering growth and diversity. Investment deals are becoming more dynamic in order to get desired returns.

Each of these priority areas have detailed supporting operational activities which are managed through a formal strategy execution roadmap and progress is reported to the Board quarterly. The corporate KPIs provide an additional mechanism to measure progress against these priorities.

### **3.3 Reporting**

QIC will prepare the required quarterly and annual reports for the shareholding Ministers. The format of these is expected to remain flexible to ensure appropriate information and data is provided regarding the operations, financial performance and financial position of the organisation.

### 3.4 Key Execution Activities 2015-2016

QIC operates with the support of a detailed execution roadmap which is updated quarterly with input from the Executive Committee and reported through to the Board. This roadmap gives management the rigour of undertaking operational level forward planning aligned to the strategy, while also remaining flexible and agile to capitalise on opportunities and market movements. The roadmap is also a tactical tool to engage employees and ensure they understand how their role contributes value back to the enterprise. Examples of major execution activities are identified below and mapped back to the relevant strategic priority. This mapping exercise also serves as a mechanism to drive accountable delivery given the strategic priorities generally align to responsible executives.

Strategic Priority →	Investment capability	Operational excellence	Distribution	One QIC	A modern and relevant QIC
Key Execution Activities ↓					
<b><u>Sustain</u></b>					
Operational excellence through targeted business process improvement initiatives		✓			✓
Continue to deliver against clients' performance expectations and offer value added services	✓				
Continue to strengthen and reinforce relationships with whole-of-fund clients	✓				
<b><u>Grow</u></b>					
International expansion. (Strategies differ per asset class- refer to detail below)	✓		✓	✓	
Delivery of the Middle Office Transformation program (additional detail below)		✓			✓
GRE Asset Creation	✓				
Continue to expand new products (QIC Global Infrastructure Fund and Liquid Alternatives Fund) and refine product offerings (GLS team)		✓	✓	✓	✓



Strategic Priority →	Investment capability	Operational excellence	Distribution	One QIC	A modern and relevant QIC
Legal entity structure review to enable required scalability and management control		✓		✓	✓
<b><u>Diversify</u></b>					
Develop additional products/services for Global Multi Asset team	✓	✓	✓		✓
Implement new private capital technology platform (platform for growth and ability to support modern product requirements)		✓			✓
Proactive development of skills and capabilities required to support diversification of products, clients and geographies	✓				✓

There are a number of key execution activities which are described in more detail below:

### 3.4.1 International expansion

QIC’s international expansion plans are primarily driven by different market opportunities in each of the asset classes. The Global Clients and Marketing Division (GCM) acts as a central coordination point to formulate international strategies and ensure there is strong alignment between the investment team plans and the corporate strategy and that all opportunities for collaboration, synergy and information sharing are being leveraged. International expansion provides an exciting and important platform for QIC to access a larger pool of opportunities in markets that are less price sensitive (as compared to the domestic market). Execution in this area is critical for ongoing success and the ability to increase enterprise value through new sources of assets for clients as well as new revenue streams achieved through higher fees for our products and services. QIC already competes in a globally competitive market and this strategy is continuing to increase our global footprint.

QIC has several overseas based clients, a number of overseas offices and numerous licences and approvals to operate in overseas jurisdictions. These approvals are essential to QIC’s growth and therefore QIC has built strong platforms to fulfil its international regulatory obligations.

GRE will continue to build on the US platform established in 2013-2014 and has recently filled another significant client mandate for US assets.



GI has a globally diversified portfolio with assets in Australasia, the United States, Europe and the Asia Pacific. The recently launched pooled global infrastructure product, the QGIF, will be actively targeting the North American, Asian and European customer markets. A small number of additional international staff have been recruited in 2014-2015 to support the rapid deployment of this product, which is the cornerstone of the growth strategy for this investment capability. International markets will be key to securing assets for our infrastructure clients.

GLS is continuing to focus on

GPE will continue to build their international footprint by maintaining a global portfolio with continued and increasing exposure to Asia (including China, Japan and Korea). In particular this will be through the direct investments they are managing for [redacted] and the QIC Direct Opportunities Fund (QDOF) that was launched in 2014-2015.

GCM are continuing to establish relationships in China at an enterprise level and are working closely with all the investment teams to support their international expansion efforts across the target markets.

### **3.4.2 Investing for Profitable Growth**

#### *3.4.2.1 Middle Office Transformation*

The Board-approved Middle Office Transformation contains five related projects to collectively refine and strengthen the back and middle office operating model and technology platform. The projects will deliver client and corporate benefits including significant cost savings, operational efficiencies and improved data and downstream reporting. The combination of projects will better service QIC while conclusively supporting the planned growth of the business onshore and offshore for both liquid and non-liquid asset classes. The program will be delivered by the end of 2016 by a combination of internal resources complimented by external subject matter experts from supporting vendors.

#### *3.4.2.2 GRE Asset Creation*

GRE is at the beginning of a strategic program to deliver an increase in development activity across multiple properties over the next five to seven years. Investing in the asset creation capability of GRE will deliver:

- increased investment opportunities in proven asset classes;
- accretive returns;
- a reduction in the need to bid for assets in competitive markets; and
- less reliance on market returns which will therefore assist in risk management.

GRE will also continue to invest in core skills sets that will enable the effective management of delivery risk and provide further insight in the changing retail, consumer dynamics and information technology worldwide.



To manage the forecasted capital expenditure and broadening skill sets, GRE will invest in current and future resources over the next two years. This will ensure the group continues to deliver the highest calibre real estate services that meet client objectives and exceed expectations. The flow-on impact of these developments and services will be felt in the Queensland and Australian communities where a large proportion of these developments will be made. There will be subsequent employment opportunities (outside of QIC), across the design, construct and operate stages of the developments.

## 4 PERFORMANCE MEASURES

QIC has a two part approach to monitoring and measuring performance. QIC’s performance measurement framework ensures strong alignment from the enterprise through to individual employees’ contribution, and an execution approach that delivers value. Additionally, QIC operates under a balanced scorecard performance system which starts with an enterprise level scorecard and then cascades down into business unit and individual scorecards. Naturally, key measures against the corporate strategy are also incorporated into the scorecard. The Board has responsibility for monitoring the balanced scorecard and corporate performance.

The scorecard’s measures are spread over four key result areas:

- Financial Performance – focus on the key financial metrics that measure the tangible performance of the enterprise and value creation
- Investment Performance and Clients – focus on our performance in terms of meeting our client objectives, and growing our share of the market, both domestically and offshore
- Process and Risk – focus on excellence in the execution of our core processes (particularly trading, investment, compliance and risk management), as well as adherence to laws and policies
- Leadership and Culture – focus on developing the leaders and culture of QIC as well as management of key person risk and headcount efficiency



The Corporate KPIs listed below for 2015-2016 are directly linked to the corporate strategy. During the preparation process, the quadrant owners have reviewed the composition of the scorecard, taking into consideration feedback received from the Board during 2014 and 2015; in addition to an ongoing evolution and maturation of the KPIs and measures, to align with corporate strategy priorities and shareholder expectations.

## 4.1 Key Performance Indicators – Balanced Scorecard

### 4.1.1 Financial Performance

KPI	Measure	Rationale
Meet total revenue target		Achieve total 2015-2016 budgeted revenue
Deliver operating profit before tax		Includes all performance fees
Deliver net new revenue		This KPI measures acquisition of new business from both existing and new clients/products, as well as the retention of business from existing clients (given it is calculated as a net figure).
Achieve cost to income ratio	Overall: 78% Excluding QICP: 69%	The main indicator reflecting cost management, calculated as total expenses divided by total revenue (includes all performance fees). The second measure excludes the QIC Property financials, which significantly impact the ratio profile.

Additional financial indicators are provided in section 4.3.2.

### 4.1.2 Investment Performance and Clients

KPI	Measure	Rationale
Deliver investment objectives for clients	75% of representative mandates meet or exceed their investment objectives and median peer performance	Note: the performance measurement methodology is currently undergoing annual review to ensure ongoing currency and accuracy of the performance measurement. This KPI target may be adjusted as a result of this review to ensure that it remains a stretch target. Any adjustment will be represented in the first quarterly report.

KPI	Measure	Rationale
Build strong client relationships	Improvement of overall client Relationship Strength Index, as measured by internal and/or external survey	<p>Client service and strong client relationships are key to client satisfaction and retention. This KPI supports the achievement of our mission and vision of being an essential partner in delivering client outcomes. QIC annually surveys clients through either the Peter Lee Survey or internally run survey mechanisms. The exact survey mechanism is still in commercial negotiations.</p> <p>This survey may not be conducted each year.</p>

### 4.1.3 Process and Risk

KPI	Measure	Rationale
Improve process efficiency towards operational excellence	<ul style="list-style-type: none"> <li>Documented evidence of tangible financial and non-financial improvements, as validated by Business Improvement Manager and Finance</li> <li>Positive outcome of process control reviews (e.g. GS007 internal controls assessment and Risk, Legal &amp; Tax (RLT) 2<sup>nd</sup> line and 3<sup>rd</sup> line internal audit reviews)</li> </ul>	<p>Evidence of improvements will be captured across all aspects of trade, investment and operational business processes</p> <p>Evidence of strong and improved internal controls is a key consideration for clients</p>
Embed a strong risk culture	<ul style="list-style-type: none"> <li>Evidence that QIC operates within the Risk Appetite Statement and improves risk culture as identified through survey results, client and asset consultant feedback.</li> </ul>	<p>This KPI covers conduct risk, reputational risk and the contribution of staff to the overall strength of risk management practices. Risk culture has become key as there is global evidence that policy, process and controls are not enough to prevent incidents/outlier events; a strong risk culture is also required. Measures will also be supplemented by feedback from the Executive Director, RLT and the Chief Executive.</p>



#### 4.1.4 Leadership and Culture

KPI	Measure	Rationale
<b>Manage succession risk</b>	Fully formed succession plan for key executive and designated critical roles	Succession planning is a critical process so that we understand the depth of talent, and readiness, against those roles that are of importance to the sustainable success of QIC.  Critical roles are those that have a material impact on the operations of the QIC organisation, from either a client or executive perspective
<b>Build leadership and communication capability</b>	Leadership and communication impact increased as measured through staff feedback and leadership 360 results	QIC needs to have a strong framework that outlines what it takes to be a good leader in the context of QIC, and develop leaders against this framework.  Outcomes from the recent culture working group and employee engagement survey have indicated that improvement in these areas will benefit the organisation.
<b>Build an engaged and collaborative culture</b>	<ul style="list-style-type: none"> <li>Degree of engagement, collaboration and inclusiveness as measured through staff feedback</li> <li>Positive shift in gender composition of the senior leadership group of QIC</li> </ul>	The recent culture working group activities have supported the development of key points of focus that will strengthen the QIC culture. Underpinning the culture is a work environment that encourages inclusiveness and embraces the value that is generated from a diverse culture.

## 4.2 Linking Corporate and Operational Performance

QIC's philosophy is that employee outperformance should be aligned to the delivery of superior investment performance outcomes and the creation of enterprise value at the corporate level. During 2014-2015, QIC undertook a review of its Remuneration Framework to ensure it was fit-for-purpose for our enduring strategy to sustain, grow, and diversify the business.



QIC is competing in a global environment and we're continuing to expand our footprint which introduces increased opportunity but also increased complexity in managing international remuneration practices. The objective of the refreshed Remuneration Framework is to provide the QIC Board, HR & Remuneration Committee and QIC management and employees with a framework to undertake employee remuneration and performance incentive decisions that:

- align with, and support, enterprise team goals and strategies; and
- are managed using consistent methodology.

Performance and remuneration at QIC are closely linked and remuneration:

- aligns employee interests with the investment performance interests of QIC's clients;
- aligns employees with the creation and enhancement of long term value for QIC and QIC's stakeholders;
- provides competitive market Total Target Remuneration, both in terms of pay mix and quantum, that recognises high performance through differentiated rewards, while seeking to be competitive with the market, but not a market leader;
- helps QIC to successfully attract and retain high-calibre employees who are motivated to contribute to the success of the business by aligning their remuneration with QIC's business interests; and
- is subject to a robust governance framework, which delivers a direct and transparent link between performance and remuneration outcomes.

There is a rigorous and calibrated performance management program in place to identify levels of performance across the organisation. The HR & Remuneration Committee and the Board spend a considerable amount of time overseeing the development and implementation of this program at QIC.

## **4.3 Assumptions**

### **4.3.1 Strategy Execution**

The investment market is highly dynamic and QIC provides investment outcomes that meet clients' needs. As such, there is a requirement for the operational components of our strategy to remain fluid and responsive to the client and the market. The strategic pillars and priorities will remain the same however, detailed execution within this construct will involve movement in response to these conditions. Any significant movement will be detailed through quarterly reports and ongoing communication. There is no intention to change the corporate KPIs once they have been set for the year.

## 4.3.2 Financial Performance Indicators

Budget 2015-2016				Description	Actual	Budget	Forecast	Budget
Sep	Dec	Mar	Jun		2013 - 2014	2014 - 2015	2014 - 2015	2015 - 2016
				Net profit after tax (excl QSCF per fees) (\$'000)				
				Net profit after tax (incl QSCF per fees) (\$'000)				
				Cost to income ratio (excl. QSCF per fees)				
				Cost to income ratio (incl. QSCF per fees)				
				Return on assets (annualised incl. QSCF per fees)				
				Return on equity (annualised incl. QSCF per fees)				
74,925	75,487	76,589	77,037	Assets Under Management (\$M)	70,571	65,509	74,033	77,621
				AUM Whole of Fund Foundation Clients %				
				AUM Other Clients %				
565	566	580	578	Full Time Equivalent staff numbers (FTE)	509	479	530	578

Central to the financial performance of QIC are the overarching goals of achieving a more commercial cost to income ratio, improving profitability and increasing the dividend paid to shareholders. From a 2015-2016 budget perspective, the key elements are encouraging disciplined, profitable growth in existing capabilities and improving efficiency in the business to absorb the increased workload associated with the forecasted growth. A large element/theme of the 2015-2016 budget is investing to improve long-term financial outcomes, with full time equivalent (FTE) numbers expected to grow as QIC implements its global corporate strategy and invests for future profitable growth (refer to section 3.4.2.2 for details on the GRE asset creation initiative).

Budget 2015-2016				Description	Actual	Budget	Forecast	Budget
Sep	Dec	Mar	Jun		2013-2014	2014-2015	2014-2015	2015-2016
565	566	580	578	Full time equivalent staff numbers	479	491	530	578
138	140	143	143	Asset management	124	132	140	143
194	195	204	204	Property management	138	150	159	204
232	231	233	231	Support	216	209	231	231

All new roles that are included in the 2015-2016 budget are supported by a business case linked to long-term profitable growth and are subject to management approval through a disciplined governance process.

## 4.3.3 Cost to Income Ratio

The graph below illustrates that over the last few years, QIC has successfully reduced its cost to income ratio from 88% in 2007 to a forecasted 74% at 30 June 2015 (excluding

When including , the ratio drops to 71% for the 2014-2015 financial year which is a very strong result for QIC and in comparison to peers. While this ratio has significantly improved over the past few years, QIC is committed to applying ongoing downward pressure on the ratio to ensure that we can compete effectively in a volatile industry environment while generating satisfactory returns to shareholders and maintaining strong risk management practices. The 2015-2016 budget cost to income ratio of 78% reflects a significant investment that will generate future profitable growth, ensuring long-term cost to income ratio improvements and delivery on the 5 year corporate strategy targets.

The property management business, QIC Properties Pty Ltd (QICP), has been vertically integrated into the GRE business model, gives QIC a competitive advantage in the industry and continues to deliver significant value for QIC clients. However, QICP has a vastly different business model to QIC with a more cost recovery type fee arrangement, which does significantly impact QIC's cost to income ratio. By excluding QICP, QIC's cost to income ratio would drop below 70% in the 2015-2016 budget.



It is important to note that the cost to income ratio is one measure of performance and can be significantly influenced and potentially distorted through accounting adjustments, accounting legislative requirements and other risks inherent in financial ratio analysis. QIC undertakes regular benchmarking against our competitors regarding cost to income ratios and provides a regular brief to shareholding Ministers on trends and movements for this ratio.

#### **4.3.4 Investing for the future**

QIC is a diversified alternative funds manager and the growth product range is core to this philosophy. All of QIC's investment teams have exciting opportunities to contribute to QIC's future success. Current priorities are GI and GRE initiatives, which have the biggest potential to increase new revenue. The other investment teams are all consolidating their positions in the market, with GLS  
, the GMA team  
and GPE pursuing their direct opportunities fund and other investment theme opportunities.

During the 2015-2016 budget year, QIC will embark on an exciting stage of investing for future profitable growth. The main significant investments for the future, aside from the expansion of GRE development activity (outlined in 3.4.2.2), are:

##### **QIC Global Infrastructure Fund**

QIC has established the QIC Global Infrastructure Fund (QGIF) to enable both existing and new clients to invest in a globally diversified portfolio of infrastructure assets. There is currently strong and growing demand for infrastructure investments globally, particularly given low yields and investors seeking diversification. This product has been designed to meet this market opportunity but also with an investment strategy that is consistent with GI performance to date.



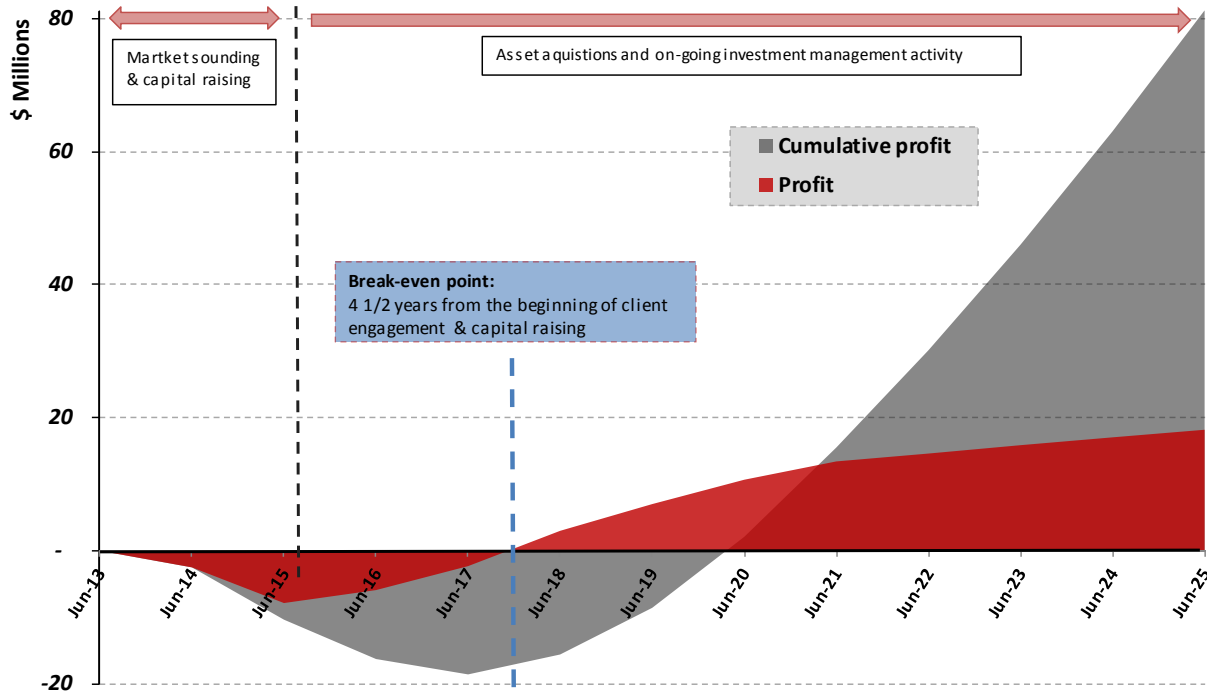
QGIF will provide greater revenue growth potential for QIC by providing a solution for the pooled product infrastructure investor market, both in Australia and overseas, which QIC cannot access without such a fund.

### Global Liquid Strategies

Currently, the GLS team offers active global fixed income solutions across interest rates, inflation and credit markets as well as passive/target exposure in currency, equity, fixed income and commodities.

### 4.3.5 Challenges and Opportunities

The lifecycle of product development, client engagement, capital raising, asset acquisitions and on-going investment management can take several years to break-even and to start generating a profit for QIC. These timeframes are dependent on finding suitable assets and subsequently being successful in acquiring them in an extremely competitive environment. The below graph illustrates the importance of investing for the future, from the perspective of a new product offering and illustrates the potentially extended timeframe from product inception to profitability.





### 4.3.6 Assets Under Management

Assets under management (AUM) is considered to be an easily measurable and industry accepted way of depicting growth. QIC is consistently in the top five largest wholesale fund managers in Australia (*Source: Rainmaker*), but growth in AUM is not QIC's main objective. QIC continues to focus on profitable growth (i.e. that which will have the most positive affect on QIC's profitability and enterprise value for shareholding Ministers).

Historically, QIC had almost guaranteed regular cash flows from existing clients, however, with the change in the investment management landscape all new cash flows have to be 'won' in a highly competitive market.



### 4.3.7 Strategic Cost Management

Strategic Cost Management (SCM) has been a key initiative over the past two financial years with the total target of [redacted] taken out of the cost base, leaving a more sustainable and efficient QIC in the process. This has given QIC the platform to be able to deliver on the globalisation aspects of corporate strategy and invest in more long-term profitable growth.

Although a majority of the savings came from headcount efficiencies and the rationalisation of client offerings, other efficiencies have also been implemented. These include the: implementation of a new travel provider, policy and process; implementation of a new expense management system; more targeted and efficient marketing spend; implementation of a document management system; rationalisation of QIC's order management systems; and development of a more efficient client service portal.

Strategic cost management has helped embed a more cost conscious culture and drive efficiency of process, system and headcount across the organisation. QIC remains committed to achieving stretch cost to income ratio targets and improving commercial discipline in order to maximise enterprise value and position for future success.

### 4.3.8 Performance Fees

Performance fees are difficult to predict and are a significant variable when comparing the actual financial outcome to budgeted financial outcomes in any given year. Although performance fees can be difficult to estimate with a degree of certainty, QIC prides itself on consistent investment outperformance and has therefore included relatively stretch performance fee outcomes in the budget. For the 2015-2016 budget, an ambitious yet achievable target of [redacted] in performance fees has been included, which is a significant increase on previous budgeted targets, as performance fees continue to make up an increasing part of QIC's total revenue base. These targets are more in line with actual outperformance over benchmarks actually achieved over the past few years, especially in the unlisted asset classes.



The QIC Shopping Centre Fund performance fee expired during the 2014-2015 year, with a performance fee generated for QIC for the culmination of the 12 year term of outperformance generated by the QIC Global Real Estate investment team. Due to the significant impact and the nature of the accounting recognition for this fee, it has generally been excluded from all ratios and targets in the past, but going forward this will no longer be relevant or required.





## 5 CORPORATE RISKS

### 5.1 Risk Management Approach

QIC is often acknowledged through client and asset consultants' due diligence processes as having exceptional risk management, compliance and governance practices and is routinely observed amongst peers and competitors as being very proactive in this space. As the competitive landscape heightens and QIC's global footprint expands, our risk practices become even more critical as does our response to regulatory reforms impacting the financial services industry. QIC is continuing to invest in our risk management approach and sees this as being a key attribute in why domestic and global clients would choose to do business with us.

The QIC Board has ultimate responsibility for the management of all potential internal and external risks for the Corporation. The Group's risk identification and management process is monitored by the Audit & Risk Committee, which is a sub-committee of the Board. Additionally, the Risk & Compliance Sub-Committee provides a forum for the organisation to proactively discuss the key risks facing QIC and the actions we have in place to manage them.

QIC's Governance, Risk and Compliance Framework is designed to ensure that all potential strategic, financial, investment, operational and other risks are regularly identified, assessed, monitored, managed and reported to the Audit & Risk Committee and the QIC Board, as appropriate, along with risk mitigation and action plans.

Annually, the QIC Board approves a risk appetite statement which establishes the foundation for acceptable levels of risk within QIC's business and enables corresponding risk management plans to be incorporated in QIC's budgetary and strategic planning processes.

QIC adopts a 'three lines of defence' approach to managing its risk and compliance obligations. This includes QIC's relevant Board committees, executive, investment teams, governance, risk and compliance teams and the internal and external audit functions. Importantly, it means that risk management is not just a function at QIC but rather a fully embedded approach to how we do business.



QIC Governance, Risk and Compliance Framework

EXPECTATIONS OF	QIC CLIENTS	SHAREHOLDING MINISTERS	LEGISLATION	REGULATORS
OVERSIGHT	QIC Limited and subsidiary Boards			
	QIC BOARD COMMITTEES		QIC INTERNAL COMMITTEES	
	Audit & Risk Committee	HR & Remuneration Committee	Executive Committee	Corporate Management Group
	QIC SUB-COMMITTEES	QIC PRIVATE CAPITAL (QPC) COMMITTEE		Asset Management Group
	Risk & Compliance Sub-Committee	QPC Investment Committee	Business Development Committee	Operating Committee
	Financial Statements Review Sub-Committee	QIC Global Infrastructure Fund Investment Committee		
1ST LINE OF DEFENCE	CEO, Executive, investment team and business unit managers		QIC staff and contractors	
			Risk and compliance KPIs	
2ND LINE OF DEFENCE	QIC governance, risk and compliance teams			
3RD LINE OF DEFENCE	Internal Audit (Deloitte) External Audit (Queensland Audit Office, KPMG)			

The roles and responsibilities within the three lines of defence are outlined below:

**First line of defence:** Executives and staff within QIC’s investment teams and supporting business units are accountable for identifying risks within their area of responsibility and for establishing effective controls and action plans to manage these risks. Each team regularly presents on their self-identified risk registers to the Risk & Compliance Sub-Committee and explains how they are managing the risks identified. All employees also have a percentage of their remuneration linked to risk and compliance KPIs. All employees are required to report breaches and incidents, including near-misses and uncontrolled risks, to the Risk Legal & Tax (RLT) division. Management is required, as part of the monthly management assurance reporting process, to report any risk events above a defined threshold that have been identified and any breaches of QIC policies, standards, laws, regulations and client mandates.

**Second line of defence:** The RLT division, which reports directly to the Chief Executive, provides investment teams and supporting business units with the tools, training and advice to assist them to effectively manage their risks and compliance obligations. It also monitors and challenges the business where appropriate to provide the Chief Executive and the Board with assurance that risks are being managed effectively and in accordance with QIC policies and standards, laws, regulations and client mandates. The RLT division also produces regular risk and compliance reports for the Risk & Compliance Sub-Committee, the Audit & Risk Committee and the Board, and newsletters for all QIC staff.

**Third line of defence:** QIC’s internal audit function (performed by Deloitte) has direct, unfettered access to the QIC Board. The QIC Audit & Risk Committee recommends the annual internal audit program, which adopts a proactive risk-based approach to provide assurance over risk management and control activities across QIC. This is after extensive consultation with the Executive Director, Risk, Legal & Tax and Deloitte who compile a three year internal audit plan which is regularly calibrated against the corporate strategy and industry themes. The results of internal audit reviews are reported to both the Audit & Risk Committee and management, who are held accountable for ensuring that recommendations made by our internal auditors are actioned. The Auditor-General of Queensland is the external auditor of QIC Limited and its controlled entities in accordance with the *Auditor General Act 2009* (“Auditor General Act”).



The Auditor-General of Queensland has also been appointed as the external auditor for a number of QIC's investment trusts on a by-arrangement basis or in accordance with the Auditor General Act where that trust meets the definition of a public sector entity. KPMG has been appointed as external auditor for a number of companies and trusts within the QIC Private Capital investment structure. The Audit & Risk Committee considers external audit reports and management letters and monitors action by management in respect of these reports. The Audit & Risk Committee periodically meets separately with the internal and external auditors in the absence of management. The auditors are also regular invitees to Audit & Risk Committee meetings. The Executive Director, Risk, Legal & Tax, who heads the RLT division, reports directly to the Chief Executive and provides regular risk and compliance reports to the Board, Executive Committee, Risk & Compliance Sub-committee and the Audit & Risk Committee.

Considerable importance is placed on maintaining a strong control environment. There is a corporate structure with clearly drawn lines of accountability and delegations of authority. Adherence to all QIC policies and standards is required at all times and the Board actively promotes a culture of risk awareness, quality and integrity. QIC personnel are required to observe a high level of professional conduct in undertaking their business activities at all times.

QIC has invested heavily in its risk management function, with a key focus on predictive risk management constantly monitoring for (and reacting nimbly to) occurrences which could impact QIC and the investment portfolios managed for our clients.



## 5.2 Strategic Risks

The primary, strategic risks that have the ability to significantly impact QIC’s ability to achieve its corporate objectives are included below. Inherent within each of these risks is the competitive environment within which QIC operates. This is a market where there are a large number of alternative/substitute products that potential clients can consider, which includes the products offered by our competitors, as well as clients managing their funds in-house.

Risk	Comment/ Response
<b>Super funds in-sourcing funds management activities, resulting in QIC losing mandates.</b>	
<b>Fee compression within some segments of the Australian funds management industry, resulting in a reduction in QIC’s revenue</b>	
<b>Loss of business from core clients</b>	



Risk	Comment/ Response
<p><b>Inability to sufficiently grow business from non-affiliated clients</b></p> <p>(Non-affiliated clients are clients who are not a whole-of-fund foundation client)</p>	
<p><b>Inability to deploy capital for clients, resulting in QIC not generating revenue from these clients.</b></p>	



## 6 MANDATORY MATTERS

### 6.1 Capital Expenditure Program

QIC has committed to investing approximately [redacted] as seed capital into new QIC products. This investment is crucial in supporting the establishment of these new products and is in line with client and market expectations. These investments will be funded from existing working capital.

In addition to these commitments, the below table details the total capital expenditure budgeted for in 2015-2016.

Project capital expenditure includes projects like the Middle Office Transformation discussed above and predominantly IT expenditure aimed at implementing a more efficient and effective technological platform across the whole of QIC. The [redacted] on capital expenditure for projects includes anticipated spend with suppliers for items such as IT equipment and professional services of [redacted]. It also includes a further [redacted] of capitalised internal staff and contractor time that will be required to complete the proposed project pipeline.

### 6.2 Acquisition and Disposal of Major Assets

QIC does not plan to acquire major corporate assets or dispose of those currently held during the course of this period. However, in the event such an acquisition or disposal is contemplated, QIC has formal corporate delegations which stipulate appropriate procedures and the approvals required for such action to be undertaken.

### 6.3 Borrowings

QIC does not currently have any borrowings.



## 6.4 Capital Structure

The capital structure and proactive capital management are fundamental considerations for QIC and a core foundation to achieving the growth and diversification pillars within the corporate strategy. QIC has developed a capital management plan and will work in close consultation with the shareholding Ministers to ensure that all possible opportunities to maximise enterprise value are being considered and executed. The Board will rigorously manage the financing of QIC's existing business and new business developments.

## 6.5 Dividend Policies

While the dividend process is governed by the GOC Act and the *Corporations Act 2001* (Cth) (Corporations Act), the Board will also ensure that QIC's dividend policy takes into account the return the shareholding Ministers expect on their investments.

To support future growth objectives, QIC seeks to retain appropriate levels of capital. This has been factored into the 2015-2016 budget in the form of an \_\_\_\_\_ of net profit after tax (dividend payout ratio).

## 6.6 Weighted Average Cost of Capital (WACC)

The Board will ensure that QIC reviews its WACC on an annual basis. Outside of the annual review process, in the event QIC encounters a significant change to the risk profile of its business, its WACC will be recalculated in consultation with shareholder representatives.

Details of QIC's WACC calculations are provided in Appendix C.

## 6.7 Accounting Policies

QIC's financial statements are prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the provisions of the GOC Act 1993, the Corporations Act and International Financial Reporting Standards as issued by the International Accounting Standards Board.

## 6.8 Community Service Obligations (CSO)

No CSOs have been identified for QIC in 2015-2016.

## 6.9 Compliance with Government Policies

QIC will comply with all Policies and Guidelines advised by shareholding Ministers as being relevant to QIC.



## 6.10 Sponsorship, Advertising & Corporate Entertainment <sup>1</sup>

QIC has budgeted the following total amounts for Sponsorship, Advertising, Corporate Entertainment and Donations for 2015-2016. Full details of the budgeted expenditure are provided in Appendix B.

Sponsorships, Advertising, Corporate Entertainment, Donations and Other Arrangements										
Sep	Budget 2015-2016			Description	Actual 2013-2014	Budget 2014-2015	Forecast 2014-2015	Actuals 2014-2015	Budget 2015-2016	
	Dec	Mar	Jun							
<b>Domestic</b>										
89,750	73,750	43,750	152,295	Sponsorship	350,314	373,500	366,060	366,060	359,545	
34,000	34,000	34,000	34,000	Advertising	106,244	115,600	177,192	177,192	136,000	
104,237	105,784	103,951	105,762	Corporate Entertainment	253,723	365,571	314,588	314,588	419,734	
0	0	0	0	Donations	1,918	0	0	0	0	
0	0	0	0	Strategic Community and Stakeholder Activities	0	0	0	0	0	
<b>227,987</b>	<b>213,534</b>	<b>181,701</b>	<b>292,057</b>		<b>712,199</b>	<b>854,671</b>	<b>857,840</b>	<b>857,840</b>	<b>915,279</b>	

Costs of this nature are an essential part of our growth strategy. The increase in costs in these categories is directly related to the marketing activities necessary to build and sustain global awareness of QIC’s new product offerings. These additional costs are targeted directly at potential clients with the focus being on new offshore clients (in support of grow, diversify strategy pillars and as a key risk mitigation).

QIC will balance the business requirements with the sensitivities around public expectations of GOC expenditure of this nature. QIC will provide details of any significant changes to the listed commitments in quarterly reports to shareholding Ministers and will notify shareholding Ministers of any significant proposed sponsorship arrangements prior to the signing of a binding contract.

<sup>1</sup> International business development expenditure has been omitted to maintain competitive neutrality.





## 7 PERFORMANCE AGREEMENT

### DIRECTORS' STATEMENT AND AGREEMENT OF SHAREHOLDING MINISTERS

This 2015-2016 Statement of Corporate Intent and all attachments are presented in accordance with Chapter 3, Part 8 of the GOC Act.

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the Statement of Corporate Intent represents a formal performance agreement between the Board of QIC and its shareholding Ministers, with respect to the financial and non-financial performance targets specified for the relevant financial year.

The Statement of Corporate Intent also represents an acknowledgment of, and agreement to, major activities, objectives, undertakings, policies, investments and borrowings of QIC for 2015-2016.

This Statement of Corporate Intent is consistent with QIC's 2015 – 2020 Corporate Plan submitted to, and agreed to by, shareholding Ministers in accordance with Chapter 3, Part 7 of the GOC Act.

In signing the document the Board of QIC undertakes to ensure that the document, and all reports to shareholding Ministers, are prepared with accuracy and timeliness.

In signing this document, QIC's Board undertakes to achieve the targets proposed in the Statement of Corporate Intent for 2015-2016.

Major changes to key assumptions and outcomes detailed in this Statement of Corporate Intent, and which come to the Board's attention during the year, will be brought to the attention of shareholding Ministers.

Any modifications to this Statement of Corporate Intent will be dealt with in accordance with the GOC Act.

This Statement of Corporate Intent is signed by the Chairman on behalf of all the Directors in accordance with a unanimous decision of the Board of QIC.

.....

Don Luke

Chair

Date: 27 May 2015

.....

The Honourable Anastasia Palaszczuk MP

Premier and Minister for the Arts

Date:

.....

The Honourable Curtis Pitt MP

Treasurer, Minister for Employment and Industrial Relations and Minister for Aboriginal and Torres Strait Islander Partnerships

Date:

## APPENDIX A: FINANCIAL STATEMENTS

### Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME								
Budget 2015 - 2016				Description	Actual 2013 - 2014 \$'000	Budget 2014 - 2015 \$'000	Forecast 2014 - 2015 \$'000	Budget 2015 - 2016 \$'000
Sep \$'000	Dec \$'000	Mar \$'000	Jun \$'000					
				<b>Revenue</b>				
				<b>Operating Revenue</b>				
				Investment Management and Performance Fees				
				Investment Income				
2,781	27,81	2,756	2,773	Other Revenue	12,011	13,582	20,138	11,090
<b>60,775</b>	<b>64,286</b>	<b>61,953</b>	<b>103,168</b>	<b>Total Operating Revenue</b>	<b>324,378</b>	<b>262,023</b>	<b>301,849</b>	<b>290,184</b>
				<b>Expenses</b>				
				<b>Operating Expenses</b>				
38,356	38,426	39,714	48,650	Payroll Related Expenses	147,473	139,326	153,686	165,146
1,191	1,191	1,249	1,249	Computer Operating Expenses	3,924	4,913	4,566	4,880
3,351	3,351	3,351	3,351	Tenancy Expenses	12,291	12,574	12,575	13,402
3,312	3,298	3,327	3,332	Professional Services	12,600	10,234	14,243	13,268
1,883	1,747	1,936	1,694	Travel Expenses	5,163	5,401	6,117	7,260
4,500	3,862	4,568	3,828	Other Expenses	33,501	14,715	16,604	16,760
<b>52,594</b>	<b>51,875</b>	<b>54,144</b>	<b>62,104</b>	<b>Total Operating Expenses</b>	<b>214,952</b>	<b>187,163</b>	<b>207,791</b>	<b>220,717</b>
<b>8,182</b>	<b>12,412</b>	<b>7,809</b>	<b>41,064</b>	<b>EBITDA</b>	<b>109,425</b>	<b>74,861</b>	<b>94,059</b>	<b>69,467</b>
1,436	1,438	1,431	1,441	Depreciation and Amortisation	10,928	6,561	7,079	5,745
<b>6,746</b>	<b>10,974</b>	<b>6,378</b>	<b>39,623</b>	<b>EBIT</b>	<b>98,497</b>	<b>68,300</b>	<b>86,979</b>	<b>63,722</b>
2,012	3,280	1,901	11,875	Income Tax Equivalent Expense and Interest	28,817	20,420	25,549	19,068
<b>4,735</b>	<b>7,694</b>	<b>4,477</b>	<b>27,749</b>	<b>Operating Profit After Tax</b>	<b>69,680</b>	<b>47,880</b>	<b>61,430</b>	<b>44,654</b>



## Statement of Financial Position

BUDGET 2015 - 2016				Description	ACTUAL 2013 - 2014 \$'000	BUDGET 2014 - 2015 \$'000	FORECAST 2014 - 2015 \$'000	BUDGET 2015 - 2016 \$'000
Sep \$'000	Dec \$'000	Mar \$'000	Jun \$'000					
<b>Assets</b>								
5,997	5,997	5,997	5,997	Cash assets	6,689	5,840	5,997	5,997
163,558	77,453	96,151	99,410	Investments	177,186	114,345	133,022	99,410
38,387	40,851	39,176	83,095	Receivables	80,313	76,191	96,194	83,095
5,263	5,274	5,275	5,584	Prepaid expenses	3,902	6,097	4,933	5,584
<b>213,206</b>	<b>129,575</b>	<b>146,599</b>	<b>194,086</b>	<b>Total Current Assets</b>	<b>268,090</b>	<b>202,474</b>	<b>240,146</b>	<b>194,086</b>
37,457	46,457	46,457	61,457	Investments	35,719	34,172	37,457	61,457
14,650	13,885	13,068	12,498	Property, plant and equipment	17,517	11,265	14,529	12,498
5,560	5,560	6,032	6,701	Intangible assets	6,053	13,724	7,621	6,701
33,545	32,179	33,350	36,952	Future income tax benefit	27,856	27,006	32,401	36,952
<b>91,212</b>	<b>98,080</b>	<b>98,906</b>	<b>117,609</b>	<b>Total Non-Current Assets</b>	<b>87,145</b>	<b>86,167</b>	<b>92,007</b>	<b>117,609</b>
<b>304,418</b>	<b>227,655</b>	<b>245,505</b>	<b>311,695</b>	<b>Total Assets</b>	<b>355,235</b>	<b>288,641</b>	<b>332,154</b>	<b>311,695</b>
<b>Liabilities</b>								
68,422	36,024	40,118	67,594	Payables	114,460	79,932	82,153	67,594
49,451	19,079	28,299	37,647	Accruals	41,694	33,673	42,444	37,647
-	-	-	-	Revenue in advance	6	-	-	-
10,799	10,910	11,024	11,138	Employee leave provisions	9,650	10,504	10,688	11,138
2,818	2,694	2,571	2,448	Other provisions	3,833	3,275	2,941	2,448
52	1,066	587	11,791	Income tax equivalent provision	9,078	6,139	26,042	11,791
<b>131,541</b>	<b>69,773</b>	<b>82,600</b>	<b>130,618</b>	<b>Total Current Liabilities</b>	<b>178,721</b>	<b>133,523</b>	<b>164,267</b>	<b>130,618</b>
36,448	20,722	24,724	36,836	Employee provisions	19,841	25,750	32,530	36,836
2,703	2,703	2,703	2,703	Deferred income tax	16,374	26	2,703	2,703
1,431	622	748	1,258	Payables	21,444	898	1,305	1,258
<b>40,582</b>	<b>24,047</b>	<b>28,175</b>	<b>40,797</b>	<b>Total Non-Current Liabilities</b>	<b>57,659</b>	<b>26,674</b>	<b>36,538</b>	<b>40,797</b>
<b>172,123</b>	<b>93,820</b>	<b>110,775</b>	<b>171,415</b>	<b>Total Liabilities</b>	<b>236,380</b>	<b>160,197</b>	<b>200,805</b>	<b>171,415</b>
<b>132,296</b>	<b>133,834</b>	<b>134,730</b>	<b>140,280</b>	<b>Net Assets</b>	<b>118,854</b>	<b>128,444</b>	<b>131,349</b>	<b>140,280</b>
37,475	37,475	37,475	37,475	Contributed Capital	37,475	37,475	37,475	37,475
94,820	96,359	97,254	102,804	Retained Profits	81,379	90,969	93,873	102,804
<b>132,296</b>	<b>133,834</b>	<b>134,730</b>	<b>140,280</b>	<b>Total Shareholders Equity</b>	<b>118,854</b>	<b>128,444</b>	<b>131,349</b>	<b>140,280</b>

## Statement of Cash Flows

BUDGET 2015 - 2016				Description	ACTUAL	BUDGET	FORECAST	BUDGET
Sep	Dec	Mar	Jun		2013 - 2014	2014 - 2015	2014 - 2015	2015 - 2016
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
<b>139,019</b>	<b>169,556</b>	<b>83,450</b>	<b>102,148</b>	Cash at the beginning of the financial year	<b>184,239</b>	<b>157,315</b>	<b>183,875</b>	<b>139,019</b>
				<b>Cash flows from operating activities</b>				
115,017	65,874	67,746	64,099	Receipts from customers	341,960	271,486	256,392	312,735
(55,908)	(92,247)	(44,393)	(40,008)	Payments to suppliers & employees	(260,553)	(216,900)	(197,152)	(232,557)
(29,076)	(916)	(3,568)	(4,291)	Tax equivalent payments	(11,617)	(26,120)	(27,016)	(37,852)
<b>30,033</b>	<b>(27,289)</b>	<b>19,784</b>	<b>19,800</b>	<b>Net cash provided by operating activities</b>	<b>69,789</b>	<b>28,466</b>	<b>32,224</b>	<b>42,327</b>
				<b>Cash flows from investing activities</b>				
504	(672)	(1,086)	(1,541)	Payments for property, plant and equipment	(7,257)	(6,346)	(5,662)	(2,794)
-	(9,000)	-	(15,000)	Other	(31,995)	-	(1,738)	(24,000)
<b>504</b>	<b>(9,672)</b>	<b>(1,086)</b>	<b>(16,541)</b>	<b>Net cash provided by investing activities</b>	<b>(39,252)</b>	<b>(6,346)</b>	<b>(7,400)</b>	<b>(26,794)</b>
				<b>Cash flows from financing activities</b>				
-	(49,144)	-	-	Dividends paid	(30,909)	(59,249)	(69,680)	(49,144)
-	(49,144)	-	-	<b>Net cash provided by financing activities</b>	<b>(30,909)</b>	<b>(59,249)</b>	<b>(69,680)</b>	<b>(49,144)</b>
<b>30,537</b>	<b>(86,105)</b>	<b>18,699</b>	<b>3,259</b>	<b>Net increase/(decrease) in cash held</b>	<b>(371)</b>	<b>(37,129)</b>	<b>(44,856)</b>	<b>(33,611)</b>
<b>169,556</b>	<b>83,450</b>	<b>102,148</b>	<b>105,407</b>	Cash at the end of the financial year	<b>183,868</b>	<b>120,185</b>	<b>139,019</b>	<b>105,407</b>

## APPENDIX B: SPONSORSHIP, ADVERTISING AND CORPORATE ENTERTAINMENT AND HOSPITALITY <sup>2</sup>

**Table 1 – Sponsorship, Advertising, Corporate Entertainment, Donations and other related expenses**

Activity	Description / Benefit	Actual 2013-2014 \$	Actual 2014-2015 \$	Budget 2015-2016 \$	Budget 2015-2016	Budget 2015-2016	Budget 2015-2016	Budget 2015-2016	Per Head Amount 2015-2016 Budget
					Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	
<b>Sponsorships - Domestic</b>									
CIE Sponsorship (Centre for Investor Education)	- includes- CIO Symposium, Chair's Forum, CEO Summit, International Investing, Real Estate, Investing in Private Markets - various presenting and panel opportunities - branding and signage exposure	\$170,500	\$156,500	\$125,000		\$55,000		\$70,000	
The Association of Superannuation Funds of Australia Limited (ASFA) Luncheon series (Queensland)	- significant brand exposure at 12 events pa - 2 speaker opportunities - continuing education for QIC attendees	\$9,819	\$9,819	\$12,000	\$12,000				
Independent Fund Administrators and Advisors Pty Ltd (IFAA)	- attendance 1 representative April & September conferences, dinner and post conference function - presenter opportunities branding and signage exposure at conference and on associated materials	\$6,250	\$12,500	\$14,500	\$14,500				
i3 Global Sponsorship Gold	Investment presentation forum opportunities		\$50,000	\$55,000	\$30,000			\$25,000	
Queensland Community Foundation	Supporting QCF through provision of funding and office facilities	\$75,891	\$73,891	\$75,000	\$18,750	\$18,750	\$18,750	\$18,750	
FEAL Partnership	Exclusive sponsorship of event creating exposure to the CEOs of Australia's largest and most prominent super funds (representing over. \$400bn FUM)		\$20,000	\$25,000			\$25,000		
Fiduciary Investment Symposium	Invitation only event for CIOs, assets class heads of Australia's largest superannuation funds & institutional investors	\$20,000							
Investment Innovation Institute	Forum sponsorship	\$25,000							
Australian Conference of Economists	Economic presentation forum opportunities			\$12,500	\$12,500				
Education sponsorship	Significant brand exposure	\$30,000							
Industry Sponsorships Australia	Investment presentation forum opportunities		\$39,531						
<b>Total Sponsorship over \$5,000</b>		<b>\$337,460</b>	<b>\$362,241</b>	<b>\$319,000</b>	<b>\$87,750</b>	<b>\$73,750</b>	<b>\$43,750</b>	<b>\$113,750</b>	
<b>Total Sponsorship below \$5,000</b>		<b>\$12,854</b>	<b>\$3,819</b>	<b>\$40,545</b>	<b>\$2,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$38,545</b>	
<b>Total Sponsorship - Domestic</b>		<b>\$350,314</b>	<b>\$366,060</b>	<b>\$359,545</b>	<b>\$89,750</b>	<b>\$73,750</b>	<b>\$43,750</b>	<b>\$152,295</b>	

<sup>2</sup> International business development expenditure has been omitted to maintain competitive neutrality.



Activity	Description / Benefit	Actual 2013-2014	Actual 2014-2015	Budget 2015-2016	Budget 2015-2016	Budget 2015-2016	Budget 2015-2016	Budget 2015-2016	Per Head Amount
		\$	\$	\$	Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	2015-2016 Budget
<b>Advertising - Domestic</b>									
<i>New advertising campaigns</i>	Advertising & Marketing	\$3,364	\$40,702						
<i>Industry publications</i>	Advertising	\$72,413	\$52,289	\$63,000	\$15,750	\$15,750	\$15,750	\$15,750	
<i>Content marketing</i>	Marketing			\$22,000	\$5,500	\$5,500	\$5,500	\$5,500	
<i>Corporate Photography</i>	Marketing	\$6,293	\$3,943	\$10,000	\$2,500	\$2,500	\$2,500	\$2,500	
<i>Merchandise</i>	Marketing	\$24,174	\$28,875	\$10,000	\$2,500	\$2,500	\$2,500	\$2,500	
<i>Conference &amp; Event branding</i>	Marketing								
<i>Global editorial syndication</i>	Advertising								
<i>Digital maintenance &amp; marketing</i>	Marketing		\$50,493	\$30,000	\$7,500	\$7,500	\$7,500	\$7,500	
<b>Total Advertising over \$5,000</b>		<b>\$106,244</b>	<b>\$176,302</b>	<b>\$135,000</b>	<b>\$33,750</b>	<b>\$33,750</b>	<b>\$33,750</b>	<b>\$33,750</b>	
<b>Total Advertising below \$5,000</b>		<b>\$0</b>	<b>\$32,159</b>	<b>\$1,000</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>	
<b>Total Advertising - Domestic</b>		<b>\$106,244</b>	<b>\$177,192</b>	<b>\$136,000</b>	<b>\$34,000</b>	<b>\$34,000</b>	<b>\$34,000</b>	<b>\$34,000</b>	
<b>Corporate Entertainment - Domestic</b>									
<b>Sporting related events</b>									
State of Origin	- build and strengthen relationships with key, decision making contacts in a social situation			\$7,750					\$7,750
Melbourne Spring Racing Carnival	- build and strengthen relationships with key, decision making contacts in a social situation			\$14,069		\$14,069			
<b>Other entertainment expenditure</b>									
Other cultural events	- build and strengthen relationships with key, decision making contacts in a social situation			\$7,750	\$1,938	\$1,938	\$1,938	\$1,938	
Staff Functions	Staff Morale - to be predominately self funded by staff	\$25,045	\$15,635	\$40,000	\$15,000	\$25,000			\$76
Client events - Brisbane	- build and strengthen relationships with key, decision making contacts in a social situation			\$7,500		\$7,500			\$500
Client events - Brisbane	- build and strengthen relationships with key, decision making contacts in a social situation			\$5,500			\$5,500		\$367
Client events - Brisbane	- build and strengthen relationships with key, decision making contacts in a social situation			\$5,431		\$5,431			\$362
Client events - Melbourne	- build and strengthen relationships with key, decision making contacts in a social situation	\$20,615	\$27,345						
Client event - Sydney	- build and strengthen relationships with key, decision making contacts in a social situation		\$7,745	\$7,750			\$7,750		\$517
Other client events	- build and strengthen relationships with key, decision making contacts in a social situation			\$30,000	\$7,500	\$7,500	\$7,500	\$7,500	
<b>Total Corporate Entertainment over \$5,000</b>		<b>\$45,660</b>	<b>\$50,725</b>	<b>\$125,750</b>	<b>\$24,438</b>	<b>\$61,438</b>	<b>\$22,688</b>	<b>\$17,188</b>	
<b>Total Corporate Entertainment below \$5,000</b>		<b>\$208,063</b>	<b>\$263,863</b>	<b>\$293,984</b>	<b>\$79,800</b>	<b>\$44,347</b>	<b>\$81,264</b>	<b>\$88,574</b>	
<b>Total Corporate Entertainment - Domestic</b>		<b>\$253,723</b>	<b>\$314,588</b>	<b>\$419,734</b>	<b>\$104,237</b>	<b>\$105,784</b>	<b>\$103,951</b>	<b>\$105,762</b>	



Donations - Domestic									
Total Donations over \$5,000		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Donations below \$5,000		\$1,918	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Donations - Domestic		\$1,918	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Table 2 - Corporate Entertainment: Activities less than \$5,000 per event**

Activity <sup>1</sup>	Actuals 2013-2014 \$	Actual 2014-2015 \$	Budget 2015-2016 No. of Activities <sup>1</sup>	Budget 2015-2016 \$	Budget 2015-2016			
					SEP	DEC	MAR	JUN
<b>Corporate Entertainment - Domestic</b>								
Staff Functions	\$41,613	\$52,773	61	\$44,098	\$6,614.64	\$22,048.80	\$6,614.64	\$8,820
Business Development	\$166,450	\$211,090	521	\$249,886	\$73,185	\$22,298	\$74,649	\$79,755
Stakeholder and Community Engagement	\$0	\$0	0	\$0	\$0	\$0	\$0	\$0
<b>Total under \$5,000 - Domestic</b>	<b>\$208,063</b>	<b>\$263,863</b>		<b>\$293,984</b>	<b>\$79,800</b>	<b>\$44,347</b>	<b>\$81,264</b>	<b>\$88,574</b>





## APPENDIX C: WEIGHTED AVERAGE COST OF CAPITAL



## APPENDIX D: EMPLOYMENT AND INDUSTRIAL RELATIONS PLAN

An Employment & Industrial Relations Plan (E&IR Plan) meeting the requirements of Section 149 of the GOC Act is provided to shareholding Ministers as an attachment to this Statement of Corporate Intent. The remuneration arrangements for the Directors, Chief Executive Officer and all key management personnel of QIC are also detailed in the E&IR Plan.